

"OGC Has Reviewed"

C. I. G.

Administrative Instructions

Approved For Release 2010/11/17 : CIA-RDP81-00720R00010010001-7

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1 of 1

STATINTL

Approved For Release 2003/01/17 : CIA-RDP81-00728R000100010051-7

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1/13/50

STATINTL

CENTRAL INTELLIGENCE AGENCY
Washington, D. C.

OGC Has Reviewed

STATINTL

ADMINISTRATIVE INSTRUCTION
NO.

1/30/50

File

SUBJECT: Payment of Premiums ^{or} ~~at~~ cost of Surety Bonds

1. This Instruction establishes regulations and procedures governing the payment of premiums ^{or} ~~on~~ cost of Surety Bonds for CIA officers and employees.

FOIAB5

3. The Chief, Administrative Staff and the Chief, Special Support Staff, are hereby authorized to approve for payment, the costs of bonds of the following types, which officers and employees of CIA may be required to execute in performance of their official duties:

Agent Cashier Bonds

Certifying Officer Bonds

Custodial Bonds

Bonds necessitated by operational conditions.

This authorization is applicable to both vouchered and unvouchered funds.

4. Payment of premiums ^{or} ~~on~~ costs of bonds for Public Notary ~~bonds and~~
TRAVEL ADVANCE purposes are not authorized.

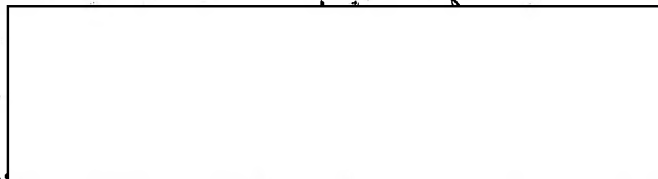
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5. The effective date of this Instruction is retroactive to 9 August 1949. Any costs of bonds incurred subsequent to the effective date of this Instruction are authorized for payment ~~including pre-rated, pre-paid premiums.~~

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

STATINTL



CONCURRENCES:

BUDGET OFFICER	_____	DATE	_____
CHIEF, LEGAL STAFF	_____	DATE	_____
CHIEF, ADMINISTRATIVE STAFF	_____	DATE	_____
CHIEF, SPECIAL SUPPORT STAFF	_____	DATE	_____
AD/OPC	_____	DATE	_____
AD/OSO	_____	DATE	_____

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Next 2 Page(s) In Document Exempt

CONFIDENTIAL

28 November 1949

MEMORANDUM

TO : The Executive

THROUGH : Special Support Staff
Budget Officer

FROM : Finance Division

SUBJECT : Payment of Premiums or Cost of Surety Bonds

REFERENCES: (a) Memorandum dated 5 August 1949 from Budget Officer to the Executive, subject "Authorization for Payment of Premiums or Costs of Surety Bonds"; approved by DCI, 9 August 1949 (Attachment 1)

(b) Memorandum dated 22 August 1949 from CFB to General Counsel, (Attachment 3)

(c) Memorandum dated 29 August 1949 to CFB from the Office of General Counsel, subject as above. (Attachment 2)

Background

1. Reference (a) contains the authorization of the Director to pay the premiums or costs of surety bonds of CIA employees. The release of this authorization raised questions as to the scope, effective date and method of application of this authorization. The Finance Division accordingly addressed an inquiry (reference (b)) to the Office of the General Counsel. The reply of the Assistant General Counsel, (reference (c)), indicates that additional policy clarification may be necessary.

2. Subsequently, in informal discussions with the Budget Officer, it was learned that it was doubtful whether this policy would be applied to many persons basically eligible and, further, that at least two individuals had declined to have their Certifying Officer bond premiums paid by the Government.

3. In view of the many questions raised, it is believed desirable to again present the entire matter for review and precise policy determination. To assist in reaching such determination it is believed desirable to provide certain information pertinent to the operational and administrative relationship of the Finance Division to this matter.

4. Bonded employees of the Finance Division include the following:

PERSONS	ANNUAL PREMIUMS
Agent Cashiers (3)	\$ 270.00
Certifying Officers (7)	5.00
Custodial Bonds (12)	13.50

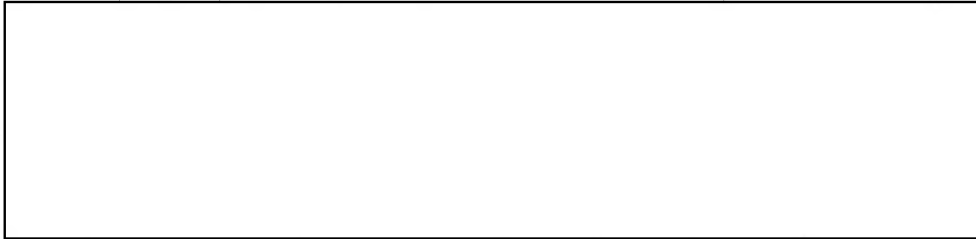
CONFIDENTIAL

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Custodial bonds have been required of numerous persons, both in the Finance Division and Finance Officers and Clerks assigned to OSO and OPC at overseas installations. These bonds are not performance bonds in the limited sense but are penal bonds to ensure that the individual will properly safekeep, disburse and account for monies entrusted to him. To a limited degree, they are also insurance to the Government against losses through theft or other causes not directly chargeable to the custodian.

5. Persons outside the Finance Division who may be bonded for reasons not involving the handling of confidential funds might include the following:

a. Public notaries required directly or indirectly in the furtherance of CIA activities. In the past there has been a need for several notaries scattered among the various offices of CIA. Individuals applying for appointment as notaries are required to furnish a nominal bond. It may or may not be desirable to include such bonds under the policy being discussed.



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Policy Questions

1. It appears necessary that decisions as to the following points are essential:

a. What is the effective date of the policy under which the Government pays surety bond premiums or costs?

b. What types of surety bond premiums or costs is it intended that the Government pay?

- (1) Agent Cashier Bonds
- (2) Certifying Officer Bonds
- (3) Custodial Bonds
- (4) Notary Bonds (administratively approved)
- (5) Bonds required by cover

c. Is there to be any policy differentiation between the bonds required of persons handling confidential funds and persons handling normal vouchered funds?

d. Is reimbursement to appropriate individuals for the balance of their unexpired prepaid bond premiums authorized?

A brief discussion of each of these questions, together with the recommendations of the undersigned, follows in subsequent paragraphs.

CONFIDENTIAL

CONFIDENTIALDiscussion and Recommendations

1. The Assistant General Counsel, in his memorandum (reference(c)), advises that there is no legal obstruction to the payment of bond premiums after 20 June 1949, but that the implementation authorization of the DCI (reference (a)) reflects an intent that the date of approval should be the effective date. The undersigned makes no recommendation, but suggests that the intended effective date be specifically designated.

2. It is specifically recommended that the Government pay the bond premiums of all persons of whom bond is required because they are disbursing, handling or certifying confidential funds. These persons, for reasons of operational necessity, are required to handle abnormal quantities of cash funds under conditions which place an extraordinary pecuniary liability upon them as individuals. In some cases, the amount of bond required is immoderately large, putting the individual to an unreasonable personal expense and, lastly, the duties and responsibilities of these individuals are essentially different from those of other Government employees who may be required to furnish bond at their own expense.

3. We are informed that it is not intended to pay the bond costs of some or most employees of the Budget Officer or the Fiscal Division until such time as general legislation may be passed wherein the Government assumes the bond costs of all comparable Government employees. This point is raised only because it obscures the policy applicable to the Finance Division, Special Support Staff. Regardless of the decision in respect to CIA employees in general, we again urge payment of the bond costs of all persons handling confidential funds.

4. The question as to whether or not any or all bonded individuals should be reimbursed for the unexpired balance of their prepaid premiums involves questions of legality, CIA policy, and practicality.

The Office of the General Counsel in reference (c) is apparently of the opinion that there is no legal objection to the payment of bond premiums or bond cost, but that the implementation authorization signed by the Director indicates no intent to reimburse by the Government of prepaid premium costs by interpretation.

From the practical point of view, it would seem inadvisable to go to the administrative expense and difficulty of computing and paying the relatively insignificant amount of unexpired premiums of bonded employees, excepting the Agent Cashiers.

On the other hand, it is recommended that the three Agent Cashiers in the Finance Division be reimbursed for their unexpired balance of bond premiums paid by them for the following reasons:

(a) Their bond premiums have been exceptionally high, because the financial mechanics of this Organization necessitate large cash Treasury advances to these individuals.

(b) It appears to be the obvious intent of the law to relieve

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these individuals of this burden. Consequently, to apply the law in such a manner that the Government pays the bond expense of one individual for most of a full year, but does not pay the expense of another individual operating under identical circumstances is manifestly inequitable. The degree of this inequity would be considerable, since at 9 August one Agent Cashier had recently paid a full premium of \$270.00, whereas the annual premium of a second Agent Cashier was just about due.

5. The undersigned is acutely aware of the fact that he is recommending the adoption of a policy which could result in payments to himself. For this reason he will waive, if desired, any claim for reimbursement if such a policy is adopted.

Summary

It is recommended that


(a) A precise effective date be established upon which CIA will pay bond premiums or bond costs. Presumably, this date will be 9 August 1949, or as early as 20 June 1949. The undersigned recommends the date 9 August 1949.

(b) The types of bonds for which CIA will pay the costs be enumerated and, if necessary, the administrative official who shall approve such payments be designated. It is recommended that all bonds described in Paragraphs 4 and 5 above be held in the eligible category.

(c) A decision be rendered as to whether the bond policy shall be equally applicable to individuals bonded in conjunction with vouchered fund activities, confidential fund activities and operational cover activities. The undersigned recommends inclusion of at least the last two categories in view of the unusual operational and financial aspects of their activities.

(d) That the Agent Cashiers be reimbursed for the amount of their unexpired prepaid premiums: This special consideration in view of the unreasonable burden they have carried so long and to provide equity in the application of the legal provision as between the three officers performing an unusual Governmental financial activity.

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Acting Chief, Finance Division

Attachments (3)
cc: Budget Officer

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Executive

5 August 1949

Budget Officer

Authorization for Payment of Premiums or Costs of Surety Bonds

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2. There are several types of bonds which are required by law or agency regulations as a protection to the United States Government and certain of its officials. These include, but are not necessarily limited to, bonds for individuals in the following positions:

- (a) Certifying Officers
- (b) Agent Cashiers
- (c)
- (d) Cashier-Messenger

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These bond requirements are imposed upon certain officers and employees of the agency for purposes other than their own protection and are not necessitated because of personal reasons or demands. (Such as a bond for a travel advance which would require the premium payment to be made from personal funds.)

3. Since some bond premiums will be due in the near future, it is desired to obtain authorization from the Director to effect payment from CIA funds. Subject to basic authorization by the Director, payments in individual cases will be based on the determination that the bond requirement is a primary benefit to the Government and/or CIA rather than personal to the officer or employee concerned.

E. R. SAUNDERS

KEW/vlb

TO: Budget Officer

1000 DECEMBER 15 9 August 1949

/s/

RECEIVED 10002 H. V. HILLENKOTTER

Rear Admiral, USN

Director of Central Intelligence

cc: General Counsel
 Management Officer
 Executive (CFR)
 Signer

CONFIDENTIAL

~~SECRET~~MEMORANDUM

22 August 1949

TO: General Counsel

FROM: Chief, Confidential Funds Branch

SUBJ: Payment of Premiums or Cost of Surety Bonds

REF: "Authorization for Payment of Premiums or Costs of Surety Bonds" set forth in memorandum from the Budget Officer to the Executive, CIA, under date of 5 August 1949, approved by the DCI, under date of 9 August 1949.

1. Reference authorization is believed by the undersigned to require further clarification and perhaps amendment prior to effecting the payments which the undersigned assumes Congress and the DCI intended to authorize.

2. It is assumed that Congress and the DCI intended that the government pay the cost of surety bonds of certain CIA employees on and after an appropriate effective date. Unfortunately, surety bond premiums happen to be one of the few type of expense which are normally prepaid. Thus, all bonded individuals, [redacted]

FOIAB5

[redacted] have prepaid an unexpired balance of their surety bond premium. The number of days such prepaid premium represents at a given date is pure happenstance. One individual may have paid his premium the day before and have 364 days of prepaid premium. Another may have only one day's prepaid premium. Another may have prepaid his bond for two years.

FOIAB5

3. Paragraph 3 of reference authorization (contrary to my interpretation of the law as quoted in paragraph 1) implies that bond premiums will be paid by CIA only as they become due. Such application of the law would result in obvious inequity between individuals and is an anomaly. The individual who prepaid his premium just prior to the effective date would be bearing the cost of his surety bond until the premium expired while the individual whose premium is due just after the effective date would be reimbursed in full. Yet, the surety bonds of each would concurrently be providing the government with identical protection.

4. The principle concerned here must not be confused with normal statutory prohibition against post facto authorization for payment of obligations incurred originally without proper authorization. The difference in the case of bond premiums previously paid by individuals as personal expense, is that the unexpired premium can freely be recovered by the individual at the time the authorization is granted

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for government payment of premiums or costs and a new bond simultaneously executed. The payment by the government of the new premium is obviously within the scope and intent of the law.

5. It would appear, therefore, that the authorization by the Director for the payment of premiums or costs of surety bonds should be amended in paragraph 3 to specifically authorize the reimbursement to individuals of the unexpited portion of their bond premium in lieu of cancellation and simultaneous renewal of existing surety bonds.

6. Such amendment would result in simultaneous assumption by CIA of the surety bond expense of all individuals so bonded.

7. A second question raised by this letter of authorization pertains to the effective date. It is assumed that 1 July 1949 is the earliest date at which the provision in the law could be applied.

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In this instance, his approval is dated 9 August, but the effective date is not stated. It is, therefore, suggested that the authorization be amended to reflect the desired effective date.

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Chief, Confidential Funds Branch

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Office Memorandum • UNITED STATES GOVERNMENT

TO : CFB

FROM : Office of General Counsel

SUBJECT: Payment of Premiums or Cost of Surety Bonds

DATE: 29 August 1949

REF: "Authorization for Payment of Premiums or Costs of Surety Bonds" set forth in memorandum from the Budget Officer to the Executive, CIA, under date of 5 August 1949, approved by the DCI, under date of 9 August 1949.

1. Reference is made to your memorandum to this office dated 22 August 1949, same subject as above. You state that the authorization referenced by you is believed to require further clarification, and perhaps amendment, prior to effecting the payments which you assume Congress and the Director intended to authorize. Possibly it would be helpful if we furnished you our opinion of the amounts which you are authorized to pay under the authorization dated 5 August 1949 which was signed by the Director as of 9 August 1949.

2. Paragraph 3 of the above mentioned authorization states, "Since some bond premiums will be due in the near future, it is desired to obtain authorization from the Director to effect payment from CIA funds". It is our opinion that since the Director signed the memorandum on 9 August 1949, you are not authorized to pay any premiums which have been paid prior to that date. There does not appear to be any intent in the memorandum, as worded and approved, to make payments contemplated in paragraph 5 of your memorandum. While this office might see no legal objection to such payments, based on an appropriately worded authorization by the Director, there appears to be a question of policy concerned which should be resolved.

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The present authorization by the Director would, of course, require amendment to reflect an intent that such date should be the effective date.

4. In view of the above, your memorandum and attachments are returned herewith for such action as you deem appropriate.

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JOHN S WARNER
stant General Counsel

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surely Bond.

5. The effective date of this Instruction is ^{out}retroactive to] 9 August 1949. Any costs of bonds incurred subsequent to the effective date of this Instruction are authorized for payment including pro-rated, pre-paid premiums.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

STATINTL



Executive

STATINTL

CONCURRENCES:

✓ BUDGET OFFICER See memorandum of 1/17/50 DATE 1/17/50
 CHIEF, LEGAL STAFF OK DATE 1-16-50
 CHIEF, ADMINISTRATIVE STAFF OK DATE 1-24-50
 CHIEF, SPECIAL SUPPORT STAFF OK DATE 1-24-50
 AD/OPC _____ DATE 1-16-50
 AD/CSO OK DATE 1-19-50

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Approved For Release 2003/01/17 : CIA-RDP81-00728R000100010051-7

Office Memorandum • UNITED STATES GOVERNMENT

TO : Management Officer

DATE: 17 January 1950

FROM : Budget Officer

SUBJECT: Proposed Instruction Covering Payment of Premiums or Costs of Surety Bonds.

1. A review has been made of the draft prepared by your office on 13 January 1950 of an Administrative Instruction covering the above caption subject. A few minor suggestions have been made as indicated by penciled notations on the attached draft.

2. In view of the apparent intent of the last sentence of paragraph 5 of the proposed Instruction, it is suggested that it be rephrased to read substantially as follows:

Any costs of bonds incurred subsequent to the effective date of this Instruction are authorized for payment. Costs (premiums) of bonds incurred and paid prior to the effective date of this Instruction may be reimbursed on a pro-rated basis for those costs or premiums applicable to that portion of the period which begins on 9 August 1949.

*RR 5
First Draft*

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3. Except as indicated above, this office concurs in the proposed Administrative Instruction as drafted.

[Signature Box]

E. R. SAUNDERS

Attachment

1/17/50

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DRAFT 1/13/50CENTRAL INTELLIGENCE AGENCY
Washington, D. C.

STATINTL

ADMINISTRATIVE INSTRUCTION
NO. SUBJECT: Payment of Premiums ^{or} ~~at~~ cost of Surety Bonds*Adm staff*

1. This instruction establishes regulations and procedures governing the payment of premiums ^{or} ~~at~~ cost of Surety Bonds for CIA officers and employees.

FOIAB5

3. The Chief, Administrative Staff and the Chief, Special Support Staff are hereby authorized to approve for payment, the costs of bonds of the following types, which officers and employees of CIA may be required to execute in performance of their official duties:

Agent Cashier Bonds ✓

Certifying Officer Bonds ✓

Custodial Bonds ✓

Bonds necessitated by operational conditions. ?

This authorization is applicable to both vouchered and unvouchered funds.

4. Payment of premiums for Public Notary bonds and travel advance purposes are not authorized. *avz.*

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5. The effective date of this instruction is (retroactive to 9 August 1949. Any costs of bonds incurred subsequent to the effective date of this instruction are authorized for payment including pre-rated, pre-paid premiums.

omit ave

clarify / ave.

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FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

See *new.*

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Executive

CONCURRENCES:

DIRECTOR OFFICE _____ DATE _____

STATINTL

CHIEF, ISCAL STAFF _____ DATE _____

✓ CHIEF, ADMINISTRATIVE STAFF DATE *1-24-50*

CHIEF, SPECIAL SUPPORT STAFF _____ DATE _____

AD/OSC _____ DATE _____

AD/OSO _____ DATE _____

*See above comments -
ave,*

RESTRICTED

5. The effective date of this instruction is retroactive to 9 August 1949. Any costs of bonds incurred subsequent to the effective date of this instruction are authorized for payment including pro-rated, pre-paid premiums.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

STATINTL

[Redacted Signature Box]

Executive

CONCURRENCES:

STATINTL

BUDGET OFFICER _____ DATE _____

✓ CHIEF, LEGAL STAFF [Redacted Signature Box] DATE 16 Jan 50

CHIEF, ADMINISTRATIVE STAFF _____ DATE _____

CHIEF, SPECIAL SUPPORT STAFF _____ DATE _____

AD/OPC _____ DATE _____

AD/OSO _____ DATE _____

RESTRICTED

5. The effective date of this instruction is retroactive to 9 August 1949. Any costs of bonds incurred subsequent to the effective date of this instruction are authorized for payment including pre-earned, pre-paid premiums.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

STATINTL

[Redacted Signature]

Executive

COMMENTS:

BUDGET OFFICE _____ DATE _____

CHIEF, LEGAL STAFF _____ DATE _____

CHIEF, ADMINISTRATIVE STAFF _____ DATE _____

✓ CHIEF, SPECIAL SUPPORT STAFF [Redacted Signature] DATE 1-20-50

AD/OPC _____ DATE _____

AD/OSO _____ DATE _____

STATINTL

RESTRICTED

5. The effective date of this instruction is retroactive to 9 August 1949. Any costs of bonds incurred subsequent to the effective date of this instruction are authorized for payment including pro-rated, pre-paid premiums.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

STATINTL

[Redacted Signature Box]

Executive

DEC 17 1950

CONCURRENCES:

BUDGET OFFICER _____ DATE _____

CHIEF, LEGAL STAFF _____ DATE _____

CHIEF, ADMINISTRATIVE STAFF _____ DATE _____

CHIEF, SPECIAL SUPPORT STAFF _____ DATE _____

✓ AD/CFC [Redacted] _____ DATE 23 Jan 55

AD/CSO _____ DATE _____

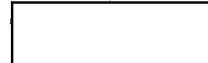
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5. The effective date of this instruction is retroactive to 9 August 1949. Any costs of bonds incurred subsequent to the effective date of this instruction are authorized for payment including pro-rated, pre-paid premiums.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

STATINTL


Executive

CONCURRENCES:

BUDGET OFFICER _____ DATE _____

CHIEF, LEGAL STAFF _____ DATE _____

CHIEF, ADMINISTRATIVE STAFF _____ DATE _____

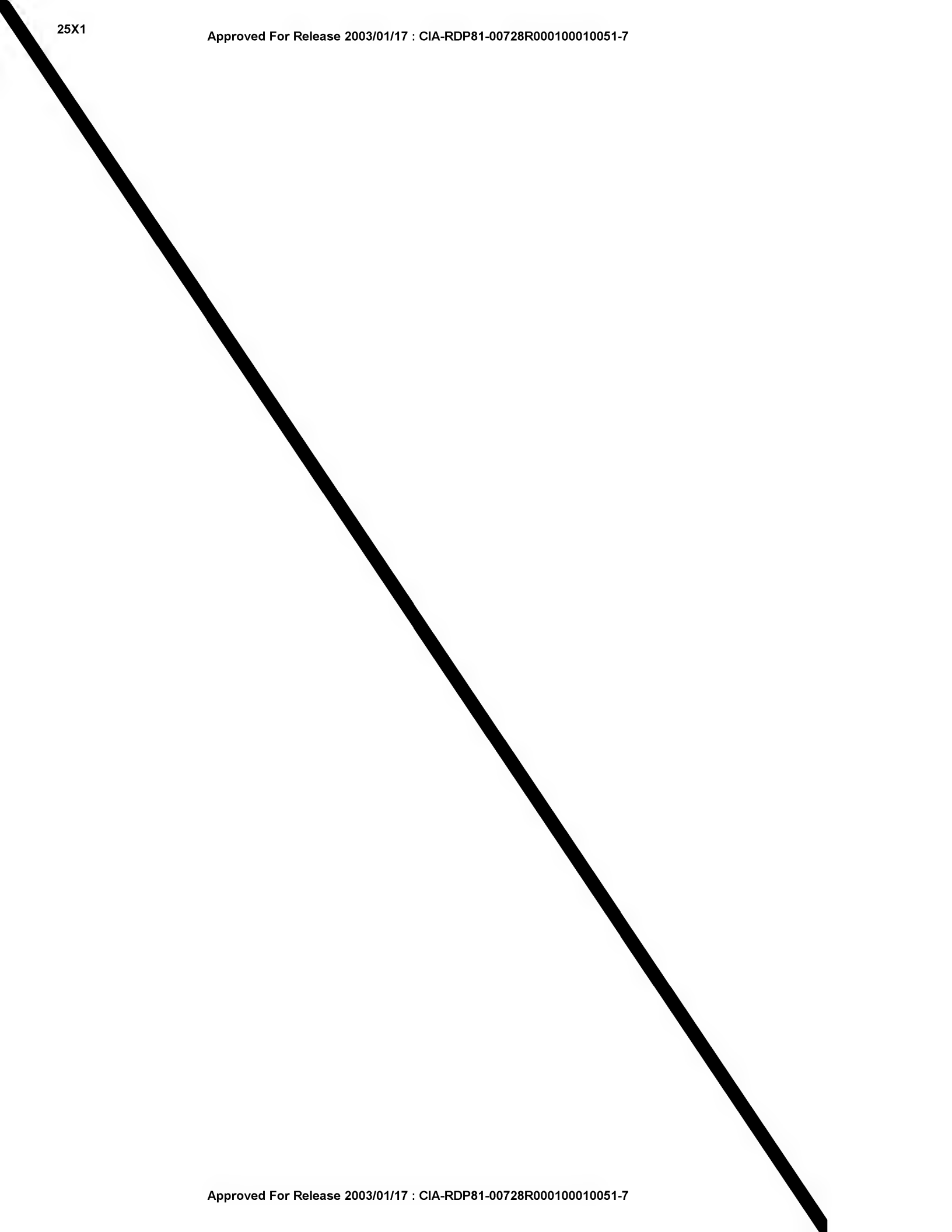
CHIEF, SPECIAL SUPPORT STAFF _____ DATE _____

AD/CFC _____ DATE _____

✓ AD/CSO  DATE 17 Jan 1950

STATINTL

RESTRICTED



CONFIDENTIAL
Office Memorandum • UNITED STATES GOVERNMENT

TO : Executive

DATE: 23 December 1949

FROM : Budget Officer

SUBJECT: Payment of Premiums or Cost of Surety Bonds

Reference: Memorandum from Acting Chief, Finance Division to the Executive dated 28 November 1949

1. A review of the comments of the Acting Chief, Finance Division, and the recommendations set forth in his memorandum of 28 November 1949 indicates that the approval of 9 August 1949 of the Director of Central Intelligence has served as remedial action for most of the problems presented with respect to the payment of bond premiums by the individual officials and employees throughout the Agency. Apparently, there is no question with respect to the effective date remaining 9 August 1949 which was the date the Director approved this office's memorandum of 5 August 1949.

2. With respect to the types of bonds involved, it appears that the memorandum of 9 August 1949 is sufficiently wide in scope to afford adequate coverage with the exception of those individuals in the Agency who may be bonded for Public Notary purposes.

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This particular problem has arisen a number of times in the past and it is understood that reimbursement has been refused on the basis of opinions of both financial and legal officials of the Agency.

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It is the reaction of this office that the regular bonded Certifying Officials applicable to unvouchered activities (one who normally pays a premium of \$5.00 a year) should be similarly treated and should not be reimbursed from Agency funds. In so far as Agent Cashiers and individuals having custodial bonds are concerned, it has been the understanding of this office that under the approval of 9 August 1949 current premium payments (those paid on or after 9 August 1949) would be reimbursed to the individuals involved.

4. There remains a question as to whether or not Agent Cashiers and/or other individuals currently bonded in connection with unvouchered activities should be reimbursed for the amount of their unexpired (as of 9 August 1949) prepaid premium payments. It was not the original

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intent in submitting the memorandum of 5 August 1949 for the Director's approval to have such approval given a "retroactive" effect. However, if the Director should desire to give his retroactive approval as a supplementation to the approval of 9 August 1949, this office perceives no objection to permitting reimbursement to the Agent Cashiers involved in the following amounts:

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\$10.36
199.72
52.52

If the individuals who have paid their annual premiums of \$13.50 for custodial bonds wish to present claims for the relatively small amounts involved for the pro-rated period beginning 9 August 1949, it would also appear that such claims should be honored.

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E. R. SAUNDERS

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CENTRAL INTELLIGENCE AGENCY
Washington, D. C.

25X1A

ADMINISTRATIVE INSTRUCTION
NO.

30 January 1950

SUBJECT: Payment of Premiums & Cost of Surety Bonds.

1. This Instruction establishes regulations and procedures governing the payment of premiums or cost of Surety Bonds for CIA officers and employees.

FOIAB5

3. The Chief, Administrative Staff, and the Chief, Special Support Staff, are hereby authorized to approve for payment, the costs of bonds of the following types which officers and employees of CIA may be required to execute in performance of their official duties:

Agent Cashier Bonds
Certifying Officer Bonds
Custodial Bonds
Bonds necessitated by operational conditions.

This authorization is applicable to both vouchered and unvouchered funds.

4. Payment of premiums or costs of bonds for Public Notary bonds and travel advance purposes are not authorized.

5. The effective date of this Instruction is retroactive to 9 August 1949. Any costs of bonds incurred subsequent to the effective date of this Instruction are authorized for payment. Costs (premiums) of bonds incurred and paid prior to the effective date of this Instruction may be reimbursed on a prorated basis for those costs or premiums applicable to that portion of the period which begins on 9 August 1949.

R. H. Hillenkoetter
R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central Intelligence

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CENTRAL INTELLIGENCE AGENCY
Washington, D. C.

25X1A

ADMINISTRATIVE INSTRUCTION
NO.

30 January 1950

SUBJECT: Payment of Premiums ~~for~~ Cost of Surety Bonds.

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R. H. Hillenkoetter
R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central Intelligence

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